

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Vergennes Township	County Kent
Audit Date 3/31/05	Opinion Date 6/25/05	Date Accountant Report Submitted to State: 12/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hungerford, Aldrin, Nichols & Carter, PC			
Street Address 2910 Lucerne Drive SE	City Grand Rapids	State MI	ZIP 49546
Accountant Signature <i>Hungerford, Aldrin, Nichols & Carter, P.C.</i>		Date 12/29/05	

VERGENNES TOWNSHIP
Kent County, Michigan

Comprehensive Annual Financial Report

For the year ended March 31, 2005

VERGENNES TOWNSHIP
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For the year ended March 31, 2005

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A S AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

June 25, 2005

The Township Board
Vergennes Township
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Vergennes Township (the "Township") as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the elected officials and management of the Township. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Vergennes Township as of March 31, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Vergennes Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Alden, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

As management of the Vergennes Township ("the Township"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which immediately follow this section.

GASB Adoption

As of April 1, 2004, the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis.

Financial Highlights

- The Township's net assets decreased by \$193,119 (or 33 percent).
- Total expenses of the Township's programs were \$655,203.
- Total revenues, including all program and general revenues, were \$462,084.
- At the close of the current year, the Township's governmental funds reported combined ending fund balances of \$168,771, a decrease of \$189,716 from the prior year.
- At the end of the current year, the unreserved/undesignated fund balance for the General Fund was \$166,771, or 26 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected property taxes and earned but uncollected sewer usage fees and special assessments).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

activities). The governmental activities of the Township include general government, public safety, roads and parks. The Township has no business-type activities.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains two individual governmental funds, the General Fund and the Cemetery Trust Permanent Fund. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. The basic governmental fund financial statements can be found on pages 10-17 of this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary funds provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Township's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 19-27 of this report.

Government – Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Vergennes Township, assets exceeded liabilities by \$385,621 at the close of the fiscal year.

A substantial portion of the Township's net assets, \$216,850 (56 percent), reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Statement of Net Assets provides financial information on the Township as a whole as of March 31, 2005.

	Governmental Activities
Assets	
Current assets	\$ 356,386
Capital assets, net of depreciation	<u>216,850</u>
Total Assets	<u>573,236</u>
Liabilities	
Current liabilities	<u>187,615</u>
Net Assets	
Invested in capital assets, net of related debt	216,850
Unrestricted	<u>168,771</u>
Total Net Assets	<u><u>\$ 385,621</u></u>

The Statement of Activities presents changes in net assets from operating results for the year ended March 31, 2005:

	Governmental Activities
Program Revenues	
Charges for services	\$ 71,767
General Revenues	
Property taxes	127,431
State shared revenue	248,079
Interest earnings	6,778
Other	<u>8,029</u>
Total Revenues	<u>462,084</u>
Expenses	
General government	234,230
Public safety	106,883
Public works	289,242
Other township	<u>24,848</u>
Total Expenses	<u>655,203</u>
Decrease in net assets	(193,119)
Net Assets - Beginning of Year	<u>578,740</u>
Net Assets - End of Year	<u><u>\$ 385,621</u></u>

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

Governmental activities decreased the Township's net assets by \$193,119, mainly due to road improvement expenses of \$274,988.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Vergennes Township's one governmental fund, the General Fund, is described as follows:

Major Fund

The *General Fund* is our primary operating fund. The General Fund had total revenues of \$462,011 and total expenditures of \$651,800. It ended the year with a fund balance of \$166,771, down from \$356,487 at March 31, 2004.

General Fund Budgetary Highlights

Over the course of the year, the Township revised the annual operating budget one time to comply with Michigan Department of Treasury guidelines. The budget amendments were made to reflect changes in revenues and expenditures as they occurred during the year, including reduced state shared revenues as the State of Michigan lowered its revenue sharing formula to local governmental units.

Capital Asset and Debt Administration

Capital Assets

At March 31, 2005, the Township had a \$240,498 investment in a broad range of capital assets, including land, land improvements, buildings and improvements, and furniture and equipment. (More detailed information about capital assets can be found in the notes to basic financial statements.)

Capital asset additions totaled zero for the fiscal year with accumulated depreciation increasing \$3,403. The net book value of capital assets at March 31, 2005 is detailed as follows:

	Governmental Activities
Land	\$ 146,540
Land improvements	15,497
Buildings and improvements	49,307
Furniture and equipment	<u>5,506</u>
Total Capital Assets	<u><u>\$ 216,850</u></u>

VERGENNES TOWNSHIP
Management's Discussion and Analysis
March 31, 2005

Long-Term Debt

The Township had no long-term debt at March 31, 2004 or 2005.

Factors Bearing on the Township's Future

At the time these financial statements were prepared and audited, the Township was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The Township's initial General Fund budget for 2005-06 anticipates a reduction in year end fund balance of \$102,971. This estimate reflects property tax growth within the Township, continuing reductions in state shared revenues and a continuing effort to control/reduce costs within the Township, while continuing to maintain a high quality of taxpayer service.

Contacting the Township's Financial Management

This financial report is designed to provide the Township's citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mari Stone, Township Clerk , Vergennes Township, 10381 Bailey Drive, Lowell, MI, 49331.

BASIC FINANCIAL STATEMENTS

VERGENNES TOWNSHIP
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	
Deposits (Note B)	\$ 2,000
Investments (Note B)	302,436
Receivables:	
Taxes (Note C)	6,319
Accounts	7,500
Due from other governmental units	<u>38,131</u>
Total Current Assets	<u>356,386</u>
Noncurrent Assets	
Capital assets (Note D)	240,498
Less accumulated depreciation	<u>(23,648)</u>
Total Noncurrent Assets	<u>216,850</u>
Total Assets	<u>573,236</u>
Liabilities	
Current Liabilities	
Accounts payable	32,759
Due to other governmental units (Note E)	<u>154,856</u>
Total Liabilities	<u>187,615</u>
Net Assets	
Invested in capital assets, net of related debt	216,850
Unrestricted	<u>168,771</u>
Total Net Assets	<u><u>\$ 385,621</u></u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Statement of Activities
For the year ended March 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental activities:				
General government	\$ 234,230	\$ 17,813	\$ -	\$ (216,417)
Public safety	106,883	53,954	-	(52,929)
Public works	289,242	-	-	(289,242)
Other township	24,848	-	-	(24,848)
Total Governmental Activities	\$ 655,203	\$ 71,767	-	(583,436)
General revenues:				
Property taxes levied for:				
General operations				127,431
State revenue sharing				248,079
Interest earnings				6,778
Other				8,029
Total General Revenues				390,317
Change in Net Assets				(193,119)
Net Assets - Beginning of Year				578,740
Net Assets - End of Year				\$ 385,621

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Balance Sheet
Governmental Funds
March 31, 2005

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Assets			
Deposits (Note B)	\$ -	\$ 2,000	\$ 2,000
Investments (Note B)	302,436	-	302,436
Receivables:			
Taxes (Note C)	6,319	-	6,319
Accounts	7,500	-	7,500
Due from other governmental units	38,131	-	38,131
Total Assets	<u>\$ 354,386</u>	<u>\$ 2,000</u>	<u>\$ 356,386</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 32,759	\$ -	\$ 32,759
Due to other governmental units (Note E)	154,856	-	154,856
Total Liabilities	<u>187,615</u>	<u>-</u>	<u>187,615</u>
Fund Balances:			
Unreserved:			
Designated	-	2,000	2,000
Undesignated, reported in:			
General fund	166,771	-	166,771
Total Fund Balances	<u>166,771</u>	<u>2,000</u>	<u>168,771</u>
Total Liabilities and Fund Balances	<u>\$ 354,386</u>	<u>\$ 2,000</u>	<u>\$ 356,386</u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
March 31, 2005

Total governmental fund balances	\$ 168,771
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$240,498 and accumulated depreciation is \$23,648.	<u>216,850</u>
Total net assets - governmental activities	<u><u>\$ 385,621</u></u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2005

	General	Other Governmental	Total
Revenues			
Taxes	\$ 127,431	\$ -	\$ 127,431
Licenses and permits	53,954	-	53,954
State sources	248,079	-	248,079
Charges for services	17,813	-	17,813
Interest and rentals	6,705	73	6,778
Other revenue	8,029	-	8,029
Total Revenues	<u>462,011</u>	<u>73</u>	<u>462,084</u>
Expenditures			
Current:			
General government	230,827	-	230,827
Public safety	106,883	-	106,883
Public works	289,242	-	289,242
Other township	24,848	-	24,848
Total Expenditures	<u>651,800</u>	<u>-</u>	<u>651,800</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(189,789)</u>	<u>73</u>	<u>(189,716)</u>
Other Financing Sources (Uses)			
Transfers in	73	-	73
Transfers out	-	(73)	(73)
Total Other Financing Sources (Uses)	<u>73</u>	<u>(73)</u>	<u>-</u>
Net Change in Fund Balances	(189,716)	-	(189,716)
Fund Balances, April 1	<u>356,487</u>	<u>2,000</u>	<u>358,487</u>
Fund Balances, March 31	<u><u>\$ 166,771</u></u>	<u><u>\$ 2,000</u></u>	<u><u>\$ 168,771</u></u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended March 31, 2005

Net change in fund balances - total governmental funds \$ (189,716)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of these assets is capitalized
and the cost is allocated over their estimated useful lives as deprecia-
tion expense. This is the amount by which depreciation exceeded
capital outlays in the current period:

Capital outlays	\$ -	
Depreciation expense	(3,403)	(3,403)

Total changes in net assets - governmental activities \$ (193,119)

VERGENNES TOWNSHIP
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 121,935	\$ 121,935	\$ 127,431	\$ 5,496
Licenses and permits	59,200	59,200	53,954	(5,246)
State sources	246,200	246,200	248,079	1,879
Charges for services	12,500	12,500	17,813	5,313
Interest and rentals	5,000	5,000	6,705	1,705
Other revenue	10,500	10,500	8,029	(2,471)
Total Revenues	<u>455,335</u>	<u>455,335</u>	<u>462,011</u>	<u>6,676</u>
Expenditures				
Current:				
General government:				
Township board	3,000	3,000	2,880	120
Supervisor	18,500	18,500	18,500	-
Elections	7,200	7,200	4,041	3,159
Assessor	30,400	30,400	28,007	2,393
Legal and audit	9,500	28,213	62,972	(34,759)
Clerk	18,500	18,500	18,500	-
Board of review	1,125	1,125	946	179
General administration	52,700	54,721	46,835	7,886
Treasurer	25,500	25,500	24,281	1,219
Buildings and grounds	15,545	15,545	14,539	1,006
Cemetery	8,200	11,422	9,326	2,096
Total general government	<u>190,170</u>	<u>214,126</u>	<u>230,827</u>	<u>(16,701)</u>
Public safety:				
Fire department	42,400	48,687	46,125	2,562
Inspections	45,950	45,950	41,415	4,535
Planning	23,000	23,000	19,343	3,657
Total public safety	<u>111,350</u>	<u>117,637</u>	<u>106,883</u>	<u>10,754</u>
Public works:				
Highways, streets and bridges	205,000	205,000	283,592	(78,592)
Street lighting	6,950	6,950	650	6,300
Hydrant rental	5,110	5,110	5,000	110
Total public works	<u>217,060</u>	<u>217,060</u>	<u>289,242</u>	<u>(72,182)</u>
Other township	<u>26,600</u>	<u>26,600</u>	<u>24,848</u>	<u>1,752</u>
Total Expenditures	<u>545,180</u>	<u>575,423</u>	<u>651,800</u>	<u>(76,377)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(89,845)</u>	<u>(120,088)</u>	<u>(189,789)</u>	<u>(69,701)</u>
Other Financing Sources				
Transfers in	<u>20</u>	<u>20</u>	<u>73</u>	<u>53</u>
Net Change in Fund Balances	<u>(89,825)</u>	<u>(120,068)</u>	<u>(189,716)</u>	<u>(69,648)</u>
Fund Balances, April 1	<u>356,487</u>	<u>356,487</u>	<u>356,487</u>	<u>-</u>
Fund Balances, March 31	<u>\$ 266,662</u>	<u>\$ 236,419</u>	<u>\$ 166,771</u>	<u>\$ (69,648)</u>

See accompanying notes to basic financial statements.

VERGENNES TOWNSHIP
Fiduciary Funds
Statement of Fiduciary Net Assets
March 31, 2005

	<u>Agency Funds</u>
Assets	
Investments (Note B)	<u>\$ 3,862</u>
Liabilities	
Escrow deposits	<u>\$ 3,862</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Note A – Summary of Significant Accounting Policies

Vergennes Township was organized as a general law township under applicable laws of the State of Michigan and is governed by a Township Board consisting of a Supervisor, Clerk, Treasurer, and two Trustees, each of whom is elected for a four-year term of office. The Township provides the following services to its residents as provided by statute: public safety (fire and inspections), highways and streets, cultural, planning and zoning, general administrative and other services.

The financial statements of Vergennes Township (the “Township”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to Townships. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In the fiscal year ended March 31, 2005, the Township adopted GASB Statement No. 34, “*Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments.*” GASB Statement No. 34 requires new basic financial statements for reporting on the Township’s financial activities. The effect of this change was to include a management’s discussion and analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operation; include government-wide financial statements prepared on the full accrual basis of accounting; and include fund financial statements which present information with a focus on major funds, rather than on fund type.

The more significant of the Township’s accounting policies are described below.

1. The Reporting Entity

The accompanying financial statements present the Township of Vergennes. The Township has no component units, i.e., entities for which the Township is considered to be financially accountable.

2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the Township as a whole. The reported information includes all of the nonfiduciary activities of the Township. The Township does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the Township. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Township reports the following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government except those that are required to be accounted for in another fund.

Additionally, the Township reports the following non-major fund types:

The *Krum Cemetery Trust Permanent Fund* accounts for fees collected to be used for cemetery improvements.

The *Trust Account Agency Fund* accounts for the collection of bonds and deposits and the payment to the governmental units or other persons entitled to receive these funds.

The *Tax Account Agency Fund* accounts for the collection of current and delinquent property taxes and the payment to the governmental units or other persons entitled to receive these funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with current period are all considered to susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

The budget presented in the financial statements was prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Township utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budget is generated with input from the Clerk, the Treasurer, the Supervisor and the Township Trustees.
- The completed budget is then presented to Township electors at a public hearing in March, at which time taxpayer comments and recommendations are heard. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- Prior to April 1, the budgets are legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Township Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General Fund budget was amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act). The budget to actual revenues and expenditures in the financial statements represent the final budget as amended by the Township.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for the General Fund.

5. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

6. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$2,500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15-30 years
Buildings and improvements	20-40 years
Furniture and equipment	5-15 years

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

11. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- In commercial paper rated at the time of purchase within the 3 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- In United States government or federal obligation repurchase agreements.
- In bankers' acceptances of United States banks.
- In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- In surplus funds investment pools.

Depositories actively used by the Township Treasurer during the year are detailed as follows:

1. Huntington National Bank
2. Kent County Local Government Investment Pool

Balances at March 31, 2005 related to cash, deposits and investments are detailed on the combined balance sheets as follows:

Cash equivalents	\$ —
Deposits	2,000
Investments	306,298
	<hr/>
	\$ 308,298
	<hr/>

Cash Equivalents and Deposits

Cash equivalents consist of bank checking, savings and money market accounts. Deposits consist of certificates of deposit.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Cash equivalents and deposits at March 31, 2005, as shown by carrying amount and bank balance, and classified by categories of credit risk, are itemized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC	\$ 2,000	\$ 2,000
Uninsured:		
Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging bank or its trust department or agent but not in the Township's name.)	—	—
	<u>\$ 2,000</u>	<u>\$ 2,000</u>

Investments

The Kent County and bank investment pools consist of monies advanced for investment with accounts established in the Township's name within the pools. Interest earnings from the subsequent reinvestment of the pooled funds are credited to the Township on a pro-rata basis in relation to its percentage of deposits in the pools. These investments, with fair market which approximates cost, are not categorized because participation in such funds does not result in direct ownership of individual securities, but rather shares. However, the investments of the pools are classified as Risk Level 1 because these investments are held by the Fund or its agent in the name of the Fund. Balances on deposit at March 31, 2005 are as follows:

Uninsured/Uncategorized:	
Huntington National Bank:	
Short Term Investment Fund for Local Units of Government	\$ 110,670
Kent County Local Government Investment Pool	<u>195,628</u>
	<u>\$ 306,298</u>

Note C – General Property Taxes

Property taxes for the Township and County become due and payable on December 1 of each year. School district taxes are payable July 1 and December 1 of each year, under a split-levy system, pursuant to the Michigan School Code of 1976. All taxes are returned delinquent March 1 of the following year.

The Township bills and collects its own taxes in addition to taxes for the State of Michigan, Kent County, Kent District Library, Kent Intermediate School District, Grand Rapids Community College and Lowell Area Schools. The collection and remittance of taxes are accounted for in the Tax Account Agency Fund.

Township property tax revenues are recognized in the General Fund in the fiscal year levied, to the extent they are measurable and available.

The Township is permitted by statute (Act 359, Public Acts of 1947, as amended by Public Acts of 1976) to levy up to 1.1 mills of general property taxes on the taxable valuation in the Township. Due to the effect of the Headlee Amendment, actual tax levies were reduced to .8890 for the fiscal year ended March 31, 2005.

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

The tax collection record of Township taxes for the past four years is shown in the following summary:

	2004	2003	2002	2001
Township taxes levied	\$ 122,667	\$ 114,563	\$ 129,731	\$ 122,880
Taxes collected:				
Current to March 1	116,462	114,563	122,736	114,401
Total to March 31, 2005	116,462	114,563	129,067	121,431
Percentages of collections:				
Current to March 1	94.94%	95.47%	94.33%	93.10%
Total to March 31, 2005	94.94%	100.00%	99.49%	98.82%

Taxable property in the Township is assessed initially by the assessing official of the Township. These valuations are then equalized by the County and finally by the State of Michigan. Michigan statutes provide that all ad valorem taxes be levied upon State Equalized Valuation. In accordance with Act 409, Public Acts of 1965 and Article IX, Section 3 of the Michigan Constitution, State Equalized Valuation represents 50% of true cash value. The valuations of taxable property in the Township for prior years are compared with 2005 valuations in the following summary:

Year	Real	Personal	Total
2005	\$ 136,654,236	\$ 13,154,800	\$ 149,809,036
2004	125,559,436	14,226,956	139,786,392
2003	116,448,638	12,428,600	128,877,238
2002	110,013,445	12,939,849	122,953,294
2001	101,324,029	12,093,968	113,417,997
2000	93,174,860	11,424,033	104,598,893
1999	86,111,960	11,328,803	97,440,763
1998	78,524,379	11,833,695	90,358,074
1997	70,476,290	10,695,606	81,171,896
1996	62,255,967	10,142,708	72,398,675

The State Equalized Valuations do not include valuation of certain facilities which are exempt under Act 198, Public Acts of 1974. This Act is designed to provide stimulus in the form of significant tax incentives to industrial and commercial enterprises to renovate and expand aging facilities and to build new facilities in Michigan. Under the provisions of the Act a local governmental unit (city, village or township) in which the total property tax levy is at least 30 mills or in which a city income tax is levied may establish rehabilitation districts and industrial development districts and offer industrial and commercial firms certain property tax incentives to encourage restoration or replacement of obsolete facilities and to attract new plants to the area.

An Industrial (Act 198) Facilities Exemption Certificate entitles the facility to exemption from ad valorem real and personal property taxes for a period of up to 12 years. In lieu of the property tax the firm will pay a specific tax. The tax for an obsolete facility, which is being restored or replaced, is determined in exactly the same manner as the ad valorem property tax, the important difference being that the state equalized valuation of the property remains at the level assessed on the obsolete facility prior to the improvements, even though the restoration or replacement substantially increases the true cash value of the facility. For a new facility being built in a rehabilitation, or a development district, the tax is also determined as the ad valorem property tax but instead of using the total mills levied as ad valorem taxes, only half of the millage rate is applied. The amount of the

VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

resulting tax thus is equal to 50% of the property tax which otherwise would be payable. The 2005 valuation of these certificates is compared with prior years in the following exhibit:

Year	Real	Personal	Total
2005	\$ 567,500	\$ 681,900	\$ 1,249,400
2004	422,000	762,600	1,184,600
2003	422,000	946,100	1,368,100
2002	422,000	834,700	1,256,700
2001	120,000	586,500	706,500
2000	145,000	645,000	790,000
1999	145,000	728,400	873,400
1998	265,000	703,800	968,800
1997	239,950	1,034,900	1,274,850
1996	112,500	901,700	1,014,200

Note D – Capital Assets

Capital asset activity for the year ended March 31, 2005 was as follows:

	Balances April 1, 2004	Additions	Sales/ Retirements	Balances March 31, 2005
Governmental Activities				
Capital assets not depreciated:				
Land	\$ 146,540	\$ —	\$ —	\$ 146,540
Capital assets being depreciated:				
Land improvements	23,842	—	—	23,842
Buildings and improvements	62,250	—	—	62,250
Furniture and equipment	7,866	—	—	7,866
Totals at historical cost	240,498	\$ —	\$ —	240,498
Less accumulated depreciation for:				
Land improvements	\$ 7,153	\$ 1,192	\$ —	\$ 8,345
Buildings and improvements	11,125	1,818	—	12,943
Furniture and equipment	1,967	393	—	2,360
Total accumulated depreciation	20,245	\$ 3,403	\$ —	23,648
Net Capital Assets – Governmental Activities	\$ 220,253			\$ 216,850

Depreciation expense was charged to Township activities as follows:

General government	<u>\$ 3,403</u>
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VERGENNES TOWNSHIP
Notes to Basic Financial Statements
March 31, 2005

Note E – Due To Other Governmental Units

The amount due to other governmental units of \$154,856 consists of monies owed to the Kent County Road Commission for road construction projects completed during the year ended March 31, 2005, but not paid for until the subsequent fiscal year.

Note F – Stewardship, Compliance and Accountability

The following Township fund had actual expenditures exceed final budgeted expenditures for the year ended March 31, 2005, as follows:

	Budget	Actual	Negative Variance
General Fund	\$ 575,423	\$ 651,800	\$ 76,377

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VERGENNES TOWNSHIP
General Fund
Comparative Balance Sheet
March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Investments	\$ 302,436	\$ 351,442
Receivables:		
Taxes	6,319	5,054
Accounts	7,500	-
Due from other governmental units	<u>38,131</u>	<u>32,764</u>
Total Assets	<u><u>\$ 354,386</u></u>	<u><u>\$ 389,260</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 32,759	\$ -
Due to other governmental units	<u>154,856</u>	<u>32,773</u>
Total Liabilities	<u>187,615</u>	<u>32,773</u>
 Fund Balances		
Unreserved:		
Undesignated	<u>166,771</u>	<u>356,487</u>
Total Liabilities and Fund Balances	<u><u>\$ 354,386</u></u>	<u><u>\$ 389,260</u></u>

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Revenues
For the years ended March 31, 2005 and 2004

	2005	2004
Revenues		
Taxes:		
Current property taxes	\$ 122,575	\$ 114,432
Delinquent property taxes	38	233
Commercial forest taxes	15	16
Industrial facilities taxes	520	608
Interest and penalties on taxes	4,283	4,259
	<u>127,431</u>	<u>119,548</u>
Licenses and permits:		
Cable television fees	6,665	6,495
Building permits	22,874	26,823
Electrical permits	11,782	11,526
Mechanical permits	10,931	12,795
Plumbing permits	1,702	1,559
	<u>53,954</u>	<u>59,198</u>
State sources:		
Sales taxes	243,321	239,915
PA 48/ Metro Act	4,758	-
	<u>248,079</u>	<u>239,915</u>
Charges for services:		
Zoning and appeals fees	5,300	2,560
Summer tax collection fees	5,378	5,081
Cemetery grave openings	3,900	4,500
Parcel split fees	875	825
Sale of cemetery lots	2,360	2,710
	<u>17,813</u>	<u>15,676</u>
Interest and rentals:		
Interest on investments	6,705	5,376
Other revenue:		
Refunds of expenditures	529	497
Grants	7,500	2,424
	<u>8,029</u>	<u>2,921</u>
Total Revenues	<u><u>\$ 462,011</u></u>	<u><u>\$ 442,634</u></u>

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Current:		
General government:		
Township board:		
Salaries	\$ 2,880	\$ 2,320
Supervisor:		
Salary	18,500	18,500
Elections:		
Salaries	3,231	-
Miscellaneous	471	-
New equipment	339	-
	<u>4,041</u>	<u>-</u>
Assessor:		
Salaries:		
Assessor	19,400	19,400
Clerical	7,084	8,027
Supplies	578	-
Contracted services	945	635
	<u>28,007</u>	<u>28,062</u>
Legal and audit:		
Legal fees	56,472	2,543
Audit fees	6,500	4,500
	<u>62,972</u>	<u>7,043</u>
Clerk:		
Salary	18,500	18,500
Board of review:		
Salaries	900	900
Mileage and expenses	46	70
	<u>946</u>	<u>970</u>
General administration:		
Clerical salaries	11,771	9,070
Office supplies	5,251	5,048
Professional fees	600	-
Grant fees	9,485	1,229
Contracted services	1,893	1,953
Computer services	6,682	4,810
Education	939	2,203
Printing and publishing	3,704	3,156
Memberships and dues	3,863	3,448
Miscellaneous	1,464	226
New equipment	1,183	8,759
	<u>46,835</u>	<u>39,902</u>
Treasurer:		
Salary	18,500	18,500
Property tax administration system	5,781	12,852
	<u>24,281</u>	<u>31,352</u>

(Continued)

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2005 and 2004

	2005	2004
Buildings and grounds:		
Custodial salaries	\$ 720	\$ 720
Telephone	3,819	3,629
Utilities	3,596	3,379
Repair and maintenance	4,274	2,677
Building improvements	-	900
New equipment	2,130	2,196
	<u>14,539</u>	<u>13,501</u>
Cemetery:		
Contracted services	5,223	4,570
Grounds maintenance	3,760	4,300
Miscellaneous	343	407
	<u>9,326</u>	<u>9,277</u>
Total general government	<u>230,827</u>	<u>169,427</u>
Public safety:		
Fire department:		
Lowell - rescue and fire runs	23,730	26,643
County fire assessment	3,438	5,814
Building improvements	-	550
New equipment - Lowell	18,957	16,867
	<u>46,125</u>	<u>49,874</u>
Inspections:		
Salaries:		
Building inspector	12,796	13,466
Electrical and mechanical inspector	18,119	18,322
Zoning inspector	10,500	10,500
	<u>41,415</u>	<u>42,288</u>
Planning:		
Planning coordinator salary	6,000	6,859
Planning commission fees	5,150	4,570
Professional fees	8,193	6,868
	<u>19,343</u>	<u>18,297</u>
Total public safety	<u>106,883</u>	<u>110,459</u>
Public works:		
Highways, streets and bridges:		
Road construction	274,988	90,836
Dust layer	8,604	11,977
	<u>283,592</u>	<u>102,813</u>
Street lighting:		
Utilities	650	701
Hydrant rental:		
Utilities	5,000	5,000
Total public works	<u>289,242</u>	<u>108,514</u>

(Continued)

VERGENNES TOWNSHIP
General Fund
Comparative Schedule of Expenditures
For the years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Other township:		
Social Security taxes	\$ 9,385	\$ 9,118
Travel and expense	2,999	2,851
Insurance and bonds	11,916	10,267
Miscellaneous	<u>548</u>	<u>1,336</u>
Total other township	<u>24,848</u>	<u>23,572</u>
Total Expenditures	<u><u>\$ 651,800</u></u>	<u><u>\$ 411,972</u></u>

PERMANENT FUND

Cemetery Perpetual Care—to account for monies deposited with the Township whose interest earnings will be used for cemetery upkeep.

**VERGENNES TOWNSHIP
Cemetery Perpetual Care Fund
Comparative Balance Sheet
March 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Assets		
Deposits	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Liabilities and Fund Balances		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund balances		
Unreserved:		
Designated for cemetery improvements	<u>2,000</u>	<u>2,000</u>
Total Liabilities and Fund Balances	<u>\$ 2,000</u>	<u>\$ 2,000</u>

VERGENNES TOWNSHIP
Cemetery Perpetual Care Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues		
Interest and rentals:		
Interest on investments	<u>\$ 73</u>	<u>\$ 72</u>
Expenditures	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>73</u>	<u>72</u>
Other Financing Sources (Uses)		
Transfers out	<u>(73)</u>	<u>(72)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>
Fund Balances, April 1	<u>2,000</u>	<u>2,000</u>
Fund Balances, March 31	<u><u>\$ 2,000</u></u>	<u><u>\$ 2,000</u></u>

AGENCY FUNDS

Trust Account Agency—to account for the collection of delinquent taxes and interest and payment to the governmental units entitled to receive these funds.

Tax Account Agency—to account for the collection of current taxes, collection fees, dog licenses, and payment to the governmental units entitled to receive these funds.

VERGENNES TOWNSHIP
All Agency Funds
Combining Schedule of Changes in Assets and Liabilities
For the year ended March 31, 2005

	<u>Balances</u> <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>March 31, 2005</u>
Trust Account Fund				
Assets				
Investments	\$ 2,743	\$ 9,016	\$ 7,897	\$ 3,862
Liabilities				
Escrow deposits	\$ 2,743	\$ 7,673	\$ 6,554	\$ 3,862
Due to other funds	-	103	103	-
Due to other governmental units	-	1,240	1,240	-
Total Liabilities	<u>\$ 2,743</u>	<u>\$ 9,016</u>	<u>\$ 7,897</u>	<u>\$ 3,862</u>
Tax Account Fund				
Assets				
Investments	\$ -	\$ 4,104,599	\$ 4,104,599	\$ -
Liabilities				
Accounts payable	\$ -	\$ 12,191	\$ 12,191	\$ -
Due to other funds	-	123,408	123,408	-
Due to other governmental units	-	3,969,000	3,969,000	-
Total Liabilities	<u>\$ -</u>	<u>\$ 4,104,599</u>	<u>\$ 4,104,599</u>	<u>\$ -</u>
Totals - All Agency Funds				
Assets				
Investments	\$ 2,743	\$ 4,113,615	\$ 4,112,496	\$ 3,862
Liabilities				
Accounts payable	\$ -	\$ 12,191	\$ 12,191	\$ -
Escrow deposits	2,743	7,673	6,554	3,862
Due to other funds	-	123,511	123,511	-
Due to other governmental units	-	3,970,240	3,970,240	-
Total Liabilities	<u>\$ 2,743</u>	<u>\$ 4,113,615</u>	<u>\$ 4,112,496</u>	<u>\$ 3,862</u>

OTHER INFORMATION

VERGENNES TOWNSHIP
Summary of 2004 Taxes Levied and Collected
For the year ended March 31, 2005

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
<u>Ad Valorem Taxes</u>					
Kent County					
Operating	\$139,786,392	5.3140	\$ 742,816	\$ 38,947	\$ 703,869
Kent District Library	139,786,392	0.8800	123,003	6,449	116,554
State Education Tax					
Lowell Area Schools	139,786,392	6.0000	838,712	29,676	809,036
School Districts					
Kent Intermediate School District	139,786,392	4.5333	633,684	22,421	611,263
Grand Rapids Community College	139,786,392	1.7865	249,719	8,836	240,883
Lowell Area Schools:					
Other	139,786,392	7.0000	978,489	42,963	935,526
Operating	23,287,612	17.5544	537,353	23,231	514,122
Total School Districts			2,399,245	97,451	2,301,794
Vergennes Township					
Operating	139,786,392	0.8776	122,667	6,431	116,236
Delinquent sewer assessments			855	-	855
Total Township			123,522	6,431	117,091
Total Ad Valorem Taxes			<u>\$4,227,298</u>	<u>\$ 178,954</u>	<u>\$4,048,344</u>
<u>Tax Abatements</u>					
Industrial Facilities (P.A. 198) New	1,184,600				
Kent County		2.65700	\$ 3,147	\$ -	\$ 3,147
Kent District Library		0.44000	521	-	521
State education tax:					
Lowell Area Schools		6.00000	7,108	-	7,108
Kent Intermediate School District		2.26665	2,685	-	2,685
Grand Rapids Community College		0.89325	1,058	-	1,058
Lowell Area Schools:					
Operating		3.50000	10,397	-	10,397
Other		8.77720	4,146	-	4,146
Vergennes Township:					
Operating		0.43880	520	-	520
Total Industrial Facilities (P.A. 198) NEW			<u>\$ 29,582</u>	<u>\$ -</u>	<u>\$ 29,582</u>

(Continued)

VERGENNES TOWNSHIP
Summary of 2004 Taxes Levied and Collected
For the year ended March 31, 2005

	<u>Taxable Valuation</u>	<u>Rate (Mills)</u>	<u>Taxes Levied</u>	<u>Returned Delinquent</u>	<u>Current Collections</u>
Commercial Forest Taxes	\$ 34,300				
Kent County		2.65700	\$ 37	\$ -	\$ 37
Kent District Library		0.44000	5	-	5
State education tax:					
Forest Hills Public Schools		6.00000	120	-	120
Kent Intermediate School District		2.26665	28	-	28
Grand Rapids Community College		0.89325	13	-	13
Lowell Area Schools:					
Other		8.77720	37	-	37
Vergennes Township		0.43880	7	-	7
			<u>247</u>	<u>-</u>	<u>247</u>
Total Commercial Forest Taxes			<u>\$ 247</u>	<u>\$ -</u>	<u>\$ 247</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

C P A S AND CONSULTANTS

July 1, 2005

The Township Board
Vergennes Township
Kent County, Michigan

The following comments pertain to our audit of the financial records of Vergennes Township as of and for the year ended March 31, 2005. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this Statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the Township's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Vergennes Township.

Auditors Responsibility Under Generally Accepted Auditing Standards

We conducted our audit in accordance with Generally Accepted Auditing Standards (GAAS). Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We are required by GAAS to obtain a sufficient understanding of the internal control structure to plan the audit and to determine the nature, timing and extent of tests to be performed. The purpose of the audit was to report on the financial statements and not to provide assurance on the internal control structure. Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected.

Significant Accounting Policies

The elected officials and management of Vergennes Township have the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter will advise the Township elected officials and management about the appropriateness of accounting policies and their application. The significant accounting policies used by Vergennes Township are described in Note A of the Notes to Basic Financial Statements in the Comprehensive Annual Financial Report. As described in Note A, Vergennes Township changed accounting policies related to financial reporting by adopting GASB Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments in fiscal year 2004-05*.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing our audit of the financial records of Vergennes Township. We found that the internal control structure and accounting system was adequate and operating in the manner intended. The audit field work and preparation of the Comprehensive Annual Financial Report took longer than usual due to the expanded requirements of Governmental Standards Board Statement No. 34, mainly for the establishment of the Township initial capital assets and depreciation schedules.

Significant Audit Adjustments

During the course of our audit the following adjustments of a significant nature were made to the accounting records of the Township to bring the balances to those presented in the financial statements.

General Fund

1. \$5,054 and \$6,319 to reverse and accrue prior and current year taxes receivable.
2. \$32,759 to record accounts payable for legal fees incurred prior to year end.
3. \$32,773 and \$154,856 to reverse and accrue prior year and current year end accounts payable for road improvements.

4. \$32,764 and \$38,131 to reverse and accrue final state revenue sharing payments receivable at year end.
5. \$7,500 to record accounts receivable for grant revenue due at year end.

Passed Audit Adjustments

There were no adjustments proposed during the audit that were not recorded by Vergennes Township.

Suggestions And Recommendations

We offered suggestions and recommendations of a minor nature regarding the day-to-day operations of the accounting system to the Township Clerk and Treasurer as the topics arose during the course of our audit field work. Hopefully, these suggestions will ease the day-to-day operations of the Township's business office and assist in more efficient monthly and year end financial record keeping and reporting.

* * * * *

This communication is intended solely for the information and use of the Township Board, officers, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Treasury as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Vergennes Township and hope to continue to do so in the future. We also appreciate the dedication and cooperation of Vergennes Township Clerk and Treasurer in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communication, we will be happy to address them.

Hungerford, Alden, Nichols & Heston, P.C.

Certified Public Accountants